

WEEKLY FINANCIAL SERVICES REPUBLICAN ROUND-UP

Real Action On Fannie And Freddie Is Needed.

- Democrats have done nothing to end the bailout of Fannie Mae and Freddie Mac. Instead, Democrats have repeatedly said GSE reform is "too complicated" to address.

- Instead of acting upon legislation to address Fannie and Freddie, the Democrats continue to stage conferences and hearings. The Democrats' 'planning to plan' strategy must end. The bailout of Fannie Mae and Freddie Mac has already cost taxpayers \$150 billion and counting.

- Committee Republicans have repeatedly called for the Committee to convene legislative hearings on the Republican bills already introduced to end the bailout and reform Fannie and Freddie. Unfortunately, the Democrats have not scheduled any legislative hearings on the topic, and appear poised to leave town next week with GSE reform as one of their many pieces of unfinished business.

Fannie, Freddie Are Continuing the Policies That Led To Their Failure.

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Fannie Mae and Freddie Mac are initiating new programs that seem patterned after the same lax underwriting standards that helped lead the GSEs to the brink of financial ruin in the first place.

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These new programs, including Affordable Advantage, require no downpayment or good credit history.

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At the Capital Markets Subcommittee hearing, FHFA Director Ed Demcarco said of the Affordable Advantage program "this one got away from us."

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Whether it's HomePath, Affordable Advantage, or First Look programs, we must ensure that the government is not recreating the mistakes of the past that led to the financial crisis.

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These programs are yet another reminder that the attitudes and policies that led to the failure of Fannie and Freddie have not changed. That's why it is important that we begin the process to unwind Fannie and Freddie now.

Republicans Recognize The Need For An Exit Strategy From Fannie, Freddie.

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In July 2009, House Republicans proposed legislation to protect taxpayers by reforming Fannie Mae and Freddie Mac. Not only did the Republican financial regulatory reform legislation (H.R. 3310) include an exit strategy from Fannie and Freddie, Republicans also issued a set of principles of GSE reform. The principles would wind down the operations of Fannie and Freddie within four years.

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House Republicans have also introduced:

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H.R. 4476 to limit the compensation of Fannie Mae and Freddie Mac executives to the rates of pay for Executive and Senior level employees of the United States Government;

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H.R. 4889 to end the government conservatorship of Fannie Mae and Freddie Mac, and phase out taxpayer support;

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H.R. 4450 to establish an Independent Inspector General within the Federal Housing Finance Agency, the GSEs's regulator;

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H.R. 4581 to require regular reports to Congress outlining taxpayer liabilities, investment decisions, and management details of Fannie Mae and Freddie Mac;

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H.R. 4884 to facilitate a robust covered bonds market in the U.S.; and

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H.R. 4653 to put the two GSEs on budget.

ON THE HORIZON

Tuesday, September 28: The Oversight Subcommittee will convene a hearing on terrorist financing at 4 pm in room 2128 Rayburn.

Wednesday, September 29: The Full Committee will convene a hearing on GSE reform at 10 am in room 2128 Rayburn. At 4 pm, the Oversight and International Subcommittees will hold a joint hearing on the Export-Import Bank in room 2220 Rayburn. Also, at 4 pm, the Housing Subcommittee will convene a hearing on housing design in room 2128 Rayburn.

WEEKEND MUST-READS

Wall Street Journal: "Summers to Step Down ... Lawrence Summers, the economist who helped design and secure President Barack Obama's top economic policy priorities, will return to Harvard University at the end of the year."

Wall Street Journal: "Obama, Warren and The Imperial Presidency ... President Obama's appointment of Elizabeth Warren late last week is another milestone down the path toward an imperial presidency. During America's first 150 years, Ms. Warren's appointment as a special adviser to the White House would have been unthinkable. Today, it's par for the course."

Washington Post: "Fed statement sets table for possible action on economy in fall ... Federal Reserve policymakers Tuesday opened the door to new action to try to boost the economy. They just didn't step on in."

NY Times: "A.I.G. Nears Sale of 2 Units to Prudential Financial ... The American International Group is close to a deal to sell two Japanese life insurance units to Prudential Financial for at least \$4 billion, people briefed on the matter told DealBook on Tuesday."

NY Times: "Head of Basel Panel Defends Proposed Bank Rules ... New rules on how much rainy-day capital banks must keep in reserve are more rigorous than they first seem and create "a road to a much safer banking system," the chairman of the panel that is writing the regulations said Wednesday, implicitly answering criticism that the proposals are too lax."

Wall Street Journal: "SEC Blasted on Goldman ... The Securities and Exchange Commission's internal watchdog said the timing of a fraud lawsuit against Goldman Sachs Group Inc. filed by the SEC was "suspicious," suggesting agency officials tried to distract attention from a report criticizing the SEC for failing to detect an alleged Ponzi scheme."

Wall Street Journal: "'Second Look': First Aid for Borrowers ... When a borrower hears a "no" from the bank, sometimes it really means "maybe.""

NY Times: "With Warning, Obama Presses China on Currency ... President Obama increased pressure on China to immediately revalue its currency on Thursday, devoting most of a two-hour meeting with China's prime minister to the issue and sending the message, according to one of his top aides, that if "the Chinese don't take actions, we have other means of protecting U.S. interests.""

CARTOON OF THE WEEK

(Washington Post)